

THE CITY OF NEWPORT BEACH
KEY AND MANAGEMENT EMPLOYEES
COMPENSATION PLAN
2010-2012



City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective 2010-2012

TABLE OF CONTENTS

INTRODUCTION

COMPENSATION

Salary	1
Range Advancement.....	1
Performance Reviews and Anniversary Dates	2
Bilingual Pay	2
Non-Exempt Overtime and Compensatory Time Off	2
Jury Duty.....	2

LEAVES

Holidays	3
Flex Leave.....	3
Sick Leave.....	5
Dependent Care	5
Bereavement.....	5
Administrative Leave.....	5
Leave Sellback.....	5

BENEFITS

Insurance	6
Additional Benefits	7
Retirement Benefits.....	7
Retiree Medical	8
Tuition Reimbursement	13

MISCELLANEOUS

Probationary Period.....	13
Direct Deposit.....	14
Exemption Status	14
9/80 Scheduling	14
Employee Policy Manual	14

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

INTRODUCTION

Consistent with applicable laws, the following represents the salary and benefit program established by the City Council for Key and Management. The Key and Management Compensation Plan shall in no manner be interpreted as a guaranteed or implied contract between the City and any employee or group of employees.

The Key and Management Group are divided into four categories:

- Executive Management
- Administrative Management
- Division Head
- Confidential

Appendix A lists all classifications in each category.

COMPENSATION

A. Salary

All Key and Management employees (excluding City Manager, City Attorney, and City Clerk) will receive the following cost of living increases:

Effective January 1, 2012 salaries will be increased by an amount equal to the increase in the CPI LA/OC Urban Wage Earners Index for the 12 month commencing period of November 2010 with a minimum 1.5% increase and a maximum 3% increase.

B. Range Advancement

Advancement through the salary range varies depending on the Group to which the employee is assigned:

Executive Management - No steps; movement at the discretion of the City Manager.

Administrative Management - Five-step range with merit step increases on an annual basis.

Division Head - Five-step range with eligibility for merit step increases on an annual basis.

Confidential - Eight-step range with eligibility for merit step increases on an annual basis.

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

Salary steps are placed in five percent (5%) increments within the range for Administrative Management, Division Head, and Confidential groups.

C. Performance Reviews and Anniversary Dates

All Key and Management employees hired prior to 12/31/01 will have a December 1, or first full pay period in December, anniversary date. Key and Management employees hired after December 2001 will have an anniversary date based upon hire date and hours of service. All Executive Management, Administrative Management, and Division Head performance evaluations will be reviewed by the City Manager prior to implementation of any range advancement.

D. Bilingual Pay

Upon determination of the Department Director that an employee's ability to speak, read and/or write in Spanish, or other language as approved, contributes to the Department, the employee shall be eligible to receive \$150.00 per month in bilingual pay. A certification process will be conducted which will confirm that the employee is fluent at the street conversational level in speaking, reading and/or writing Spanish or other approved language.

E. Non-Exempt Overtime and Compensatory Time Off

Employees in non-exempt positions are eligible to receive overtime or compensatory time off. Overtime for non-exempt positions shall be paid at one-and-one-half (1 ½) times the employee's hourly rate of pay for hours worked in excess of the basic workweek. Overtime work must be approved by the employee's supervisor. Compensatory time off for non-exempt positions shall accrue at the rate of one-and-one-half (1 ½) times for every overtime hour worked. Employees may accumulate up to eighty (80) hours of Compensatory Time. Any hours in excess of eighty (80) will be paid off. Accumulation in excess of the eighty (80) hours may be approved at the discretion of the Department Director.

F. Jury Duty

An Employee called to serve as a juror shall notify his/her Supervisor on the first Workday following receipt of the summons. Any Employee of the City legally required to serve as a juror shall be entitled to leave with pay and all benefits for a period of up to sixty (60) days so long as his/her presence is legally required.

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
 Effective July 1, 2010 to June 30, 2012

LEAVES

A. <u>Holidays</u>	<u>Observed</u>
Independence Day	July 4
Labor Day	First Monday in September
Veteran's Day	November 11
Thanksgiving Day	Fourth Thursday in November
Day After Thanksgiving	Friday following Thanksgiving
Christmas Eve	December 24 - last half of working day
Christmas Day	December 25
New Year's Eve	December 31- last half of working day
New Year's Day	January 1
Martin Luther King Birthday	Third Monday in January
Washington's Birthday	Third Monday in February
Memorial Day	Last Monday in May
Floating Holiday	(1) July 1 st

In 2010 only, the half-day Christmas Eve and New Year's Eve holidays will be combined into one full holiday that will be observed on December 30, 2010.

Holidays listed above occurring on a Saturday shall be observed the preceding Friday. Holidays occurring on a Sunday shall be observed on the following Monday. All holidays are credited at eight (8) hours.

B. Flex Leave

Regular full-time employees in the Administrative Management, Division Head and Confidential categories enrolled in the flex leave program will earn leave according to the following schedule:

<u>Years of Continuous Service</u>	<u>Hrs Accrued per Pay Period</u>	<u>Annual Days</u>	<u>Maximum Allowable Balance (hours)</u>
1 but less than 5	5.54	18	432.12
5 but less than 9	6.15	20	479.7
9 but less than 12	6.77	22	528.06
12 but less than 16	7.69	25	599.82
16 but less than 20	8.31	27	648.18
20 but less than 25	8.92	29	695.76
25 and over	9.54	31	744.12

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

Spillover: Employees hired prior to July 1, 1996 shall be paid for earned flex leave in excess of the employee's maximum accrual rate (spillover) provided that they utilized at least 80 hours flex leave the previous calendar year. Employees with 16 or more years of continuous service are required to use 120 hours of flex leave the previous calendar year.

Regular full-time employees in the Executive Management category will earn flex leave according to the following schedule:

<u>Years of Continuous Service</u>	<u>Hours per Pay Period</u>	<u>Annual Days</u>
1 but less than 15	8.31	27
15 and over	9.23	30

During the first six months of employment, new regular full-time employees shall not accrue paid leave. At the completion of six months of employment six months of accrued leave will be placed in the employees account.

If an employee becomes sick in the first six months of employment, the City will advance up to six months of potentially accrued flex leave time to be used for the illness only. If the employee terminates employment prior to six months, the City will deduct the pay equivalent of the number of flex leave days advanced from the employee's final check. Any flex leave time advanced during the first six months of employment will be deducted from the six months of accrual placed in the employees account upon completion of six months employment.

1. Limit on Accumulation

Employees first hired, or rehired by the City subsequent to July 1, 1996, shall not be eligible for flex leave spillover pay and shall not be entitled to accrue flex leave in excess of the flex leave accrual threshold.

2. Method of Use

Flex leave may not be taken in excess of that actually accrued, and in no case, except for illness, may it be taken prior to the completion of an employee's initial probationary period.

The Department Director shall approve all requests for flex leave, taking into consideration the needs of the Department, and whenever possible, the seniority and wishes of the employee.

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

C. Sick Leave

Key and Management employees employed by the City prior to initiation of the flex leave program had separate sick and vacation leave banks. With the initiation of the flex leave program, vacation leave was converted to flex leave on an hour for hour basis and any sick leave hours remained in a bank to be used as provided in Section 11.2 (Sick Leave) of the Employee Policy Manual.

D. Dependent Care

Employees may use up to ½ of Flex Leave accrued per year to provide care for any member of the employee's immediate family in need of care due to illness or injury.

E. Bereavement Leave

Bereavement leave shall be defined as "the necessary absence from duty by an employee having a regular or probationary appointment because of a death or terminal illness in his/her immediate family." For the purposes of this section, immediate family shall mean father, mother (including step), brother, sister, wife, husband, child, and grandparents, or the employee's spouse's father, mother, brother, sister, child and grandparents. Employees shall be entitled to 40 hours of bereavement leave per incident per year.

F. Administrative Leave

All overtime, either paid or compensatory time off, will be eliminated for FLSA exempt Management personnel. In its place, Administrative Leave will be granted, for a minimum of 8 hours and a maximum of 80 hours, to be determined by the Department Director with the concurrence of the City Manager, based upon the number of overtime hours normally worked by the individual exempt employee.

G. Leave Sellback

Twice annually, employees shall have the option of selling back, on an hour for hour basis, accrued flex or vacation leave. In no event shall the flex or vacation leave balance be reduced below one hundred and sixty (160) hours. Employees selling back and cashing out accrued flex leave shall be required to contribute 50% of cashed out leave accumulations into the employee's MERP Account.

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

BENEFITS

A. Insurance

1. Health and Dental Insurance

The City has implemented an IRS qualified Cafeteria Plan.

The City contributes \$1049 per month. In addition, the City shall contribute the minimum CalPERS participating employer's contribution towards medical insurance.

Effective January 1, 2011, the City's contribution towards the Cafeteria Plan shall be \$1149 per month, plus the minimum CalPERS contribution.

Effective the pay period including January 1, 2012, the City's contribution towards the Cafeteria Plan shall be \$1249 per month.

Employees shall have the option of allocating Cafeteria Plan contributions towards the City's existing medical, dental and vision insurance/programs.

Any unused Cafeteria Plan funds shall be payable to the employee as taxable cash back. Employees shall be allowed to change coverages in accordance with plan rules and during regular open enrollment periods.

Key and Management employees who do not want to enroll in any medical plan offered by the City must provide evidence of group medical insurance coverage, and execute an opt-out agreement releasing the City from any responsibility or liability to provide medical insurance coverage, on an annual basis.

2. Vision Insurance

Employees may purchase vision insurance upon hire and during benefits open enrollment.

3. Disability Insurance

The City shall provide disability insurance with the following provisions:

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

Weekly Benefit	66 2/3% gross weekly wages
Maximum Monthly Benefit	\$10,000
Minimum Benefit	\$15 (STD)/\$50 (LTD)
Waiting Period	30 Calendar Days (STD)/180 Calendar Days (LTD)

Employees shall not be required to exhaust accrued paid leaves prior to receiving benefits under the disability insurance program. Employees may not supplement the disability benefit with paid leave once the waiting period has been exhausted.

Employees are responsible for the payment of the disability insurance cost in the amount of one (1%) percent of base salary.

B. Additional Benefits

1. IRS Section 125 Flexible Spending Account

The City provides a qualified Section 125 Flexible Spending Account which authorizes an employee to reduce taxable income for payment of allowable expenses such as child care and medical expenses.

2. Life Insurance

The City shall provide life insurance for all regular full-time employees in \$1,000 increments based on annual salary up to \$50,000.

3. Employee Assistance Program

Employees are eligible to receive EAP benefits, which provide confidential counseling and education on work and life issues, subject to provider guidelines.

C. Retirement Benefits

1. PERS Benefit

The City contracts with PERS to provide retirement benefits for its employees. *For employees in the current retirement tier, the retirement formula is 2.5%@55 (Miscellaneous) and 3%@50 (Safety),*

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

calculated on the basis of best/highest year with the City reporting the value of the Employer Paid Member Contribution (EPMC). Additional benefits include the following: Sick Leave Credit, Military Service Credit, \$500 Death Benefit, 2% COLA, 4th Level 1959 Survivor Benefit, and Pre-Retirement Option 2 Death Benefit (Section 21548). The entire 3.42% cost of the plan change for the enhanced retirement 2.5% @ 55 formula (2.42% employer and 1% employee) will be paid by the employee and added to the employee's rate (Miscellaneous only).

Effective January 1, 2011, employees in the current retirement tier (Miscellaneous only) will pay additional contributions toward the Member Contribution as follows: 1.5% January 1, 2011, 1.5% July 2, 2011, 1.58% the pay period that includes January 1, 2012.

Upon conclusion of negotiations with all affected employee organizations, the City will implement a two-tier retirement plan providing the 2% @ 60 retirement benefit, with the average of the 36 highest paid consecutive months, for all newly hired Key and Management employees (Miscellaneous only). In addition, these employees will pay the full 7% Member Contribution for the entire term of their employment.

2. LIUNA Supplemental Pension

The City shall contribute, on behalf of each Key and Management employee, one and one half percent (1.5%) of base salary into the LIUNA Supplemental Pension Fund. The City's sole obligation is to forward the agreed upon amount to the fund. The City is not responsible for, nor does it make any representation regarding, the payment of benefits to unit members.

D. Retiree Medical Benefits

1. Background.

In 2005, the City and all Employee Associations agreed to replace the previous "defined benefit" retiree medical program with a new "defined contribution" program. The process of fully converting to the new program will be ongoing for an extended period. During the transition, employees and (then) existing retirees have been administratively classified into one of four categories. The benefit is structured differently for each of the categories. The categories are as follows:

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

- a. Category 1 - Employees newly hired after January 1, 2006.
- b. Category 2 - Active employees hired prior to January 1, 2006, whose age plus years of service as of January 1, 2006, was less than 50 (46 for public safety employees).
- c. Category 3 - Active employees hired prior to January 1, 2006, whose age plus years of service was 50 or greater (46 for public safety employees) as of January 1, 2006.
- d. Category 4 - Employees who had already retired from the City prior to January 1, 2006, and were participating in the previous retiree medical program.

2. Program Structure.

This is an Integral Part Trust (IPT) Medical Expense Reimbursement Program Plan (MERP).

- a. For employees in Category 1, the program is structured as follows:

Each employee will have an individual MERP account (Employee Account.) This account will accumulate contributions to be used for health care expense after separation. All contributions to the plan are either mandatory employee contributions or City paid employer contributions, so they are not taxable to employees at the time of deposit. Earnings from investment of funds in the account are not taxable when posted to the account. Benefit payments are not taxable when withdrawn, because the plan requires that all distributions be spent for specified health care purposes.

Contributions will be in three parts.

Part A contributions (mandatory employee contributions): 1% of Salary.

Part B contributions (employer contributions): \$2.50 per month for each year of service plus year of age (updated every January 1st based on status as of December 31st of the prior year).

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

Part C contributions (leave settlement as determined by Key and Management employees):

Key and Management employees will determine the level of contribution, subject to the following constraints. All employees within Key and Management must participate at the same level. The participation level should be specified as a percentage of the leave balance on hand in each employee's leave bank at the time of separation from the City.

For example, if Key and Management employees determine to specify 50% of the leave balance as the participation level, then each member leaving the City or cashing out leave at any other time, would have the cash equivalent of 50% of the amount that is cashed out added to the MERP, on a pre-tax basis. The remaining 50% would be paid in cash as taxable income. Individual employees would not have the option to deviate from this breakout.

Sick leave balances may also be included in the MERP Part C contributions, but only to the extent and within all the numeric parameters specified in the Employee Policy Manual. Sick leave participation is a separate item from vacation/flex leave participation, and thresholds must be separately identified by the Key and Management group.

Key and Management employees have agreed to Part C contributions at the level of 25% of sick leave and 50% of Flex leave. This amount may be changed, on a go forward basis, as determined among the Key and Management group.

Nothing in this section restricts taking leave for time off purposes.

Part A contributions may be included in PERS compensation. Part B and Part C contributions will not be included in PERS compensation.

Part A contributions begin upon enrollment in the program and are credited to each MERP Employee Account each pay period. Eligibility for Part B contributions is set at five years of vested City employment. At that time, the City will credit the first five years worth of Part B contributions into the Employee Account (interest does not accrue during that period).

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

Thereafter, contributions are made bi-weekly. Part C deposits, if any, will be made at the time of employment separation.

Each Employee has a right to reimbursement of medical expenses (as defined below) from the Plan until the Employee Account balance is zero. This right is triggered upon separation. If an employee leaves the City prior to five years employment, only the Part A contributions and Part C leave settlement contributions, if any, will be in the MERP Employee Account. Such an employee will not be entitled to any Part B contributions.

Distributions from MERP Employee Accounts are restricted to use for health insurance and medical care expenses after separation, as defined by the Internal Revenue Code Section 213(d) (as explained in IRS Publication 502), and specified in the Plan Document. In accordance with current IRS regulations and practices, this generally includes premiums for medical insurance, dental insurance, vision insurance, supplemental medical insurance, long term care insurance, and miscellaneous medical expenses not covered by insurance for the employee and his or her spouse and legal dependents – again only as permitted by IRS Publication 502. Qualification for dependency status will be determined by guidelines in IRC 152. If used for these purposes, distributions from the MERP accounts will not be taxable. Cash withdrawal for any other purpose is prohibited. Under recent IRS Revenue Ruling 2005-24, any balance remaining in the Employee Account after the death of the employee and his or her spouse and/or other authorized dependents (if any) must be forfeited. That particular MERP Employee Account will be closed, and any remaining funds will become general assets of the plan.

The City's Part B contributions during active employment constitute the minimum CalPERS participating employer's contribution towards medical insurance after retirement. In addition, retirees selecting a CalPERS medical plan or any other plan with a similar employer contribution requirement, the required City contribution will be withdrawn from the retiree's MERP account.

- b. For employees in Category 2, the program is the same as for those in Category 1, with the following exception:

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

In addition to the new plan contributions listed above, current employees who fully convert to the new plan will also receive a one-time City contribution to their individual MERP accounts that equates to \$100 per month for every month they contributed to the previous "defined benefit" plan, to a maximum of 15 years (180 months). This contribution will be made only if the employee retires from the City and at the time of retirement. No interest will be earned in the interim.

Employees in Category 2 who had less than five years service with the City prior to implementation of the new program will only receive Part B contributions back to January 1, 2006 when they reach five years total service.

- c. For employees in Category 3, the program is the same as for those in Category 2, with the following exception:

For employees in this category, the City will make no Part B contributions while the employees are still in the active work force. Instead, the City will contribute \$400 per month into each of their MERP accounts after they retire from the City, to continue as long as the employee or spouse is still living.

Each employee will contribute a flat \$100 per month to the plan for the duration of their employment to partially offset part of this expense to the City. The maximum benefit provided by the City after retirement is \$4,800.00 per year, accruing at the rate of \$400.00 per month. There is no cash out option for these funds, and they may not be spent in advance of receipt.

Employees in this category will also receive an additional one-time City contribution of \$75 per month for every month they contributed to the previous plan prior to January 1, 2006, up to a maximum of 15 years (180 months). This contribution will be made to the MERP account at the time of retirement, and only if the employee retires from the City. No interest will be earned in the interim.

- d. For employees (retirees) in Category 4, the structure is very similar to the previous retiree medical program, except that there is no cost share requirement, and the \$400 City contribution after retirement can be used for any IRS authorized purpose, not just City insurance premiums.

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

Effective July 1, 2006, a MERP account has been opened for each retiree in this category, and the City will contribute \$400 per month to each account as long as the retiree or spouse remains living.

3. Administration

Vendors have been selected by the City to administer the program. The contract expense for program-wide administration by the vendor will be paid by the City. However, specific vendor charges for individual account transactions that vary according to the investment actions taken by each employee, such as fees or commissions for trades, will be paid by each employee.

The City's Deferred Compensation Committee, or its successor committee, will have the authority to determine investment options that will be available through the plan.

4. Value of Benefit

For all purposes, including compensation comparisons, the Retiree Medical Program shall be valued at 1% of salary on which PERS retirement is based (Part A); plus .25% of other compensation (Part B).

E. Tuition Reimbursement

Key and Management employees may apply for reimbursement of 100% of the actual cost of tuition, books, fees or other student expenses for approved job-related courses. Maximum tuition reimbursement for employees is \$1,400.00 per fiscal year and reimbursement is contingent upon the successful completion of the course. All claims for tuition reimbursement require approval.

MISCELLANEOUS

A. Probationary Period

Newly hired employees shall serve a twelve-month probationary period. Any employee who is promoted shall be required to successfully complete a six (6) month probationary period in the new position. All Executive Management positions serve at-will and can be released from employment at any time.

City of Newport Beach
KEY AND MANAGEMENT COMPENSATION PLAN
Effective July 1, 2010 to June 30, 2012

The City Manager, City Attorney and City Clerk serve at the pleasure of the City Council.

B. Direct Deposit

All newly hired employees shall participate in the payroll direct deposit system.

C. Exempt and Non-exempt Status

All classifications in Key and Management are classified as exempt under the FLSA, with the following exceptions:

Deputy City Clerk
Administrative Assistants to the Police Chief, Fire Chief, City Attorney
and Human Resources Director
Administrative Support Services Coordinator
Executive Assistant to the City Manager
Human Resources Specialist I/II
Administrative Analyst – Utilities Department

D. 9/80 Scheduling Plan

The City agrees to maintain flex-scheduling where it is currently operating successfully. Any new flex scheduling must be approved by the City Manager prior to implementation.

Effective the pay period beginning January 15, 2011, the 9/80 flex-schedule will be modified as follows: employees will have the option of alternating Fridays off only. Employees currently on a 9/80 schedule with alternating Mondays or any other day off, will convert to Fridays off beginning in January 2011. To ensure effective coverage, employees on the 9/80 schedule will be divided into groups A or B, with equal numbers of staff as much as possible, including management and supervisory staff, off on alternating Fridays. To ensure ongoing compliance with Fair Labor Standards Act, and to maintain organizational efficiency, deviations from established flex days, if legally permitted, will be considered on a case-by-case basis.

E. Employee Policy Manual

The City of Newport Beach's Employee Policy Manual shall govern all issues not addressed in this document with respect to wages, hours and other terms and conditions of employment.

Revised 12/02/2010

Appendix A
Key & Management Classifications
2010-2012

Administrative Management

Assistant City Attorney
Deputy Director, Administrative Services
Deputy General Services Director
Deputy PW Director/City Engineer
Utility Operations Manager
Utilities General Manager (proposed)

Division Heads

Accounting Manager
Administrative Manager
Assistant City Engineer
Assistant to the City Manager
Budget Manager
Chief Building Inspector
Civil Engineer, Principal
Civil Engineer, Principal – Plan Check
City Traffic Engineer
Code & Water Quality Enforcement Div. Mgr
Deputy Building Official
Equipment Maintenance Superintendent
Field Maintenance Superintendent
Harbor Resources Manager
Human Resources/Risk Mgmt Administrator
IT Manager
Library Services Manager
Operations Support Superintendent
Park & Tree Superintendent
Public Information Manager
PW Finance/Admin Manager
Recreation Manager
Recreation Superintendent
Refuse Superintendent
Revenue Manager
Senior Services Manager

Confidential

Administrative Analyst
Administrative Assistant to City Attorney
Administrative Assistant to Fire Chief
Administrative Assistant to HR Director
Administrative Assistant to Police Chief
Administrative Support Services Coordinator
Assistant City Clerk
Budget Analyst
Deputy City Attorney
Deputy City Clerk
EMS Manager
Executive Assistant to City Manager
Human Resources Analyst
Human Resources Analyst, Senior
Human Resources Specialist I/II
Paralegal
Principal Planner
Public Information Coordinator
Human Resources Supervisor
Sr. Budget Analyst
Sr. Human Resources Analyst

Executive Management

Administrative Services Director/Treasurer
Assistant City Manager
City Attorney
City Clerk
City Manager
Community Development Director (proposed)
Fire Chief
Municipal Operations Director (proposed)
Human Resources Director
Library Services Director
Police Chief
Public Works Director
Recreation and Senior Services Director